CA2ALA 130
A56
1991-92 c.v

ANNUAL REPORT

1991-1992

93-02255/

1991 - 1992
Board of Directors

Harold Thornton
Chairman
Calgary

Bob Splane
President and Managing Director
Ardrossan

Mel Cameron
Edmonton

Claire Carefoot
Olds

Bob Conibear
Donalda

Clarence Goldsmith
Clandonald

Jack Iwabuchi
Ft. Saskatchewan

Claude Leeks
Taber

1991 - 92
Executive Management

Bob Splane
President and Managing Director

Andrew Church
Vice-President
Operations

Dave Schurman
Vice-President
Administration

John Bohach
Manager
Internal Audit

Printed on recycled paper

Mission Statement

To ensure that financial services are available to promote a competitive agriculture and food industry in Alberta.

CONTENTS

Letter of Transmittal	2
Minister's Message	3
Chairman's Report	4
President's Message	5
ADC Lending Activity	9
Auditor's Report	13
Balance Sheet	14
Statement of Income and Deficit	15
Statement of Changes in Financial Position	16
Notes to the Financial Statements	17
Schedule of Farm Loan Incentives and Operating Expenses	23
Schedule of Alberta Public Safety Services Contributions	24

Letter of Transmittal

The Honourable Ernie Isley
Minister of Agriculture

Minister:

On behalf of the Board of Directors, we are pleased to submit the nineteenth annual report of the Alberta Agricultural Development Corporation.

As required by Section 9 of the Agricultural Development Act, (R.S.A. 1980, c. A-7) the report contains a summary of the business affairs of the corporation, a statement of income and deficit, a statement of changes in financial position and a balance sheet.

Yours truly,

Harold Thornton
Chairman of the Board
of Directors

Bob Splane
President and
Managing Director

September 23, 1992

Minister's Message

The North American recession and the problems of international trade wars have continued to pressure our farm economy. The ramifications for the provincial government and agricultural policy are many, from advocating transportation subsidy changes to making decisions on income support mechanisms. Those policy problems, however, are dwarfed by the human cost that our farmers at times endure. This is one reason that ADC was created some 20 years ago — to cushion the effects of an unstable marketplace for credit, and to help farmers take financial control of their operations.

In agricultural lending, a difficult farm economy usually means more farmers are in severe financial trouble, which reflects in a higher incidence of foreclosures and quitclaims. The fact that all these trends have been reversed at ADC is a very promising sign. It verifies that the corporation is administering an improved portfolio of loans, brought about by improved loan review criteria, more use of flexible workout options, prompt collections and better, long-range planning. Simply put, this is better management.

Because of this foresight and success in dealing with difficult times, ADC is well positioned to introduce more cost control initiatives. I look to ADC to develop service efficiencies that may be applied to the industry as a whole.

Excluding disaster assistance, the annual cost to the province to operate ADC has continued to drop: 25 per cent since 1989-90. Part of this is due to lower interest rates, reducing ADC's cost of borrowing from the Heritage Fund. It is a welcome trend, as governments everywhere tighten their belts.

Assets administered per employee increased to $5.8 million from $5.6 million in the previous year. This ADC ratio is significantly better than that of other farm lending organizations.

During the past year, with assistance from District Agriculturists and Hail and Crop staff, ADC delivered the western and southeastern disaster assistance programs. About 4,500 farmers received help from these programs this year, and this represented about a fivefold increase in new loans from what ADC normally handles in a year.

ADC's future, like our agricultural industry, is bright. Its support of the growing food processing industry in Alberta will aid the cause of agricultural diversification, so important to the economy of this province.

Ernie Isley

Ernie Isley
Minister

Chairman's Message

The theme for this year and this annual report is productivity. As the policy-setting body for ADC, and as advisor to the Minister on agrifinancial issues, the Board applauds ADC's fiscal restraint measures. We also support the government's efforts to reduce the cost of government, and I am pleased to report that our contribution to this was a decrease in Board costs of 34 per cent this year. This cost reduction resulted from better delegation of authority and concentration of Board time on policy issues.

The spring and summer of 1991 saw the retirement of three Board members: Claude Bishop, Bill Fedeyko and Brian Heidecker. We thank them for their valuable contribution to our debates and discussions. As their terms expired, we welcomed two new members to our team: Jack Iwabuchi, an agribusiness entrepreneur from Ft. Saskatchewan, and Bob Conibear, a businessman from the Donalda area. We welcome their expertise to our deliberations.

Several Board members were participants in the province's agriculture and food industry planning process in 1991-92. These consultations, called *Toward 2000: A Vision of Agriculture*, will help ensure that the province's agriculture and food policy is designed with ideas and information from food and producer groups across Alberta.

As part of the government's policy to return publicly-owned enterprises to the private sector where appropriate, ADC sold Lambco, the province's lamb processing plant in Innisfail, to Canada West Foods of Calgary.

The Board continued its policy of visiting clients and touring business regions to gain insight into how ADC's policies and plans affect "real world" farm and agribusiness operations. It is an important contact with our grassroots. Our tour of the Airdrie region this year confirmed that the farm economy continues to be demanding, but that ADC clients in general are coping well with their financial circumstances.

Harold Thornton
Chairman

President's Message

Management these days is concerned with one overriding objective: increasing productivity. Whether in private industry, farming or government, the goal is the same: to do more with less. Our challenge is to maintain high-quality products and services, with less money.

ADC, as the province's agricultural lender, has been working for several years to minimize the administrative cost component of programs and services, and reduce its capital demand on the Heritage Fund. Doing this while fulfilling our mission, which is to ensure that financial services are available to promote a competitive agriculture and food industry in Alberta, is indeed a major challenge.

We believe in doing more with less. It is a philosophy embraced by the farmers of this province. When our Loans Officers talk to our clients, they hear the same refrain, from one end of the province to another: how can I stretch my existing resources? How can I make my machinery last longer? How can I avoid new debt? Am I using support programs wisely? What production alternatives will save me money?

I applaud this kind of thinking. All of ADC's operational goals relate to using resources in a cost-effective way. We know, for example, that handling problem accounts quickly makes good business sense, both from a service and a bottom line perspective. Resolving problem accounts early translates into lower arrears, smaller reserves for doubtful accounts, and a higher overall return for taxpayers. More important, it enables the farm family to come to grips with their difficulties in time to solve them. Helping our clients develop good financial management skills is a key goal of the corporation.

ADC's direction in the next several years will relate to finding more ways to reduce costs: we will eliminate unnecessary procedures, coordinate services where possible, automate if cost-effective, and examine such alternatives as amalgamating services and functions within the corporation and government. I am confident that this business strategy will ensure long-term success for ADC and thus benefit both the taxpayers and the farm businesspeople we serve.

Bob Splane
President and Managing Director

The Big Picture

Total farm lending during the year, which includes both direct and guaranteed lending, rose to $211.1 million from $161.4 million last year.

The corporation oversees a total portfolio of $1.2 billion.

The Borrowing Trend

Direct lending under ADC programs decreased from $91.6 million to $82.4 million, or 10 per cent. Total direct lending, guaranteed lending, and lending equivalents under both ADC and disaster assistance programs was $518.8 million, a 187 per cent increase from the total of $180.7 million the previous year.

New beginning farmer accounts dropped from 1051 in 1990-91 to 862 (18%), and in dollars from $80.3 million to $63.9 million (20%). This reflects the difficult agricultural economy, and the general trend towards debt consolidation and smaller loans.

Loan purposes are changing with the times, too. Loans for land purchase dropped from $57 million to $47.4 million, while loans for financial restructuring purposes rose from $24.6 million to $68.2 million, a rise of 177 per cent. Our clients are clearly taking a cautious approach to farm management, a philosophy ADC affirms by counselling problem accounts early.

AFDLs

Alberta Farm Development Loans (AFDL) are loans made through commercial lenders but partially guaranteed by ADC. They are designed to make short and medium term financing available quickly, at reasonable cost, through banks, Credit Unions and Treasury Branches. The lender, not ADC, determines whether or not the loan will be made.

Both lenders and farmers have come to view AFDLs as a flexible, reliable product, especially since the Alberta Farm Credit Stability Program (which offered 9% loans) ended in 1990. In 1991-92, AFDLs rose dramatically, from $58.9 million to $82.9 million, an increase of 44 per cent. Farmers took advantage of record-low interest rates, program improvements to the guarantee that ADC introduced during the year, and reduced "red tape" for both applicants and lenders.

Account Collections

ADC has made a concerted effort during the last four years to keep the number of borrowers who have trouble with their accounts to a minimum. That goal goes hand in hand with our policy of keeping farmers on their land, in viable operations, whenever possible.

These efforts must be balanced with the knowledge that not all operations will succeed, no matter how much time, effort and analysis is put into them. Also, our obligation to the province and to the taxpayers dictates that we must be prudent and judicious in our lending practices, and sell security acquired by us for fair market prices.

A typical measurement of success in a lender's portfolio management is its arrears level. At ADC, arrears over one year comprise 4.8% of the direct farm lending portfolio. This respectable figure reflects a dramatic improvement from the situation in 1987-88, when arrears represented 11 per cent of the farm portfolio.

Another promising sign is the reduction in foreclosures and settlements of troubled accounts, which have dropped 11 per cent. Actual foreclosures have dropped from 46 in 1990-91 to 33 in 1991-92.

The truest measurement of success, however, is reflected in the 95 per cent of ADC farm accounts that are in good standing. That number represents thousands of Alberta farmers, families and agribusiness entrepreneurs whose financial management and business sense have meant personal success.

Land Portfolio

Carrying property returned to ADC after farm exits is expensive and administratively burdensome. ADC's objective is to put the land back into private ownership and production as quickly as possible, while fulfilling its obligation to all taxpayers (including the local farmers) to receive a fair market return on the sale.

ADC sells land through public tender, auctions and real estate agents.

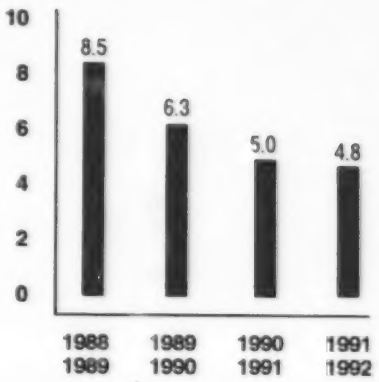
Quarters available for sale at year-end were 146, compared to 207 last year.

Disaster Programs

ADC administers three disaster assistance programs for the province: the Southeastern program (SEDAP), which was developed in response to widespread drought conditions, and the northwestern and western programs, designed to counter the effect of too much rain in some parts of Alberta in 1989 and 1990. New SEDAP loans ended June 30, 1991.

Between direct loans and interest benefits on loan equivalents, ADC processed 4,192 loan applications for $349.7 million on all disaster programs.

Percentage of direct farm lending portfolio in arrears



Staffing, Workload and Productivity

Staffing continues to be ADC's largest administrative expense. Staff numbers, including temporary staff, decreased from 209 (March 31, 1991) to 198 by fiscal year end 1992, reflecting the drop in workload as the disaster programs tapered off.

Staff productivity has improved. One measurement of productivity in the financial industry is to assess dollars of assets administered per employee. At $5.8 million per employee, ADC handles the largest volume per employee of the major government farm lending agencies. This compares favorably with $5.6 million per employee in 1990-91.

Other Operating Expenses

Overall operating expenses rose from $11.5 million to $12.6 million, exclusive of disaster assistance administration costs. Data processing and other Systems costs increased significantly this year. The rising cost of technology is a concern that ADC is actively addressing, and will be a subject in next year's report.

Total costs to taxpayers dropped from $94 million in 1989-90 to $70 million in 1991-92.

ADC focused on controllable costs wherever possible. Doing so enabled the corporation to reduce its travel and meeting costs by 16 per cent. This is especially rewarding, given the extra work in processing disaster loans this year.

Telecommunications and postage costs were reduced, by 11 per cent and 14 per cent respectively.

Agribusiness

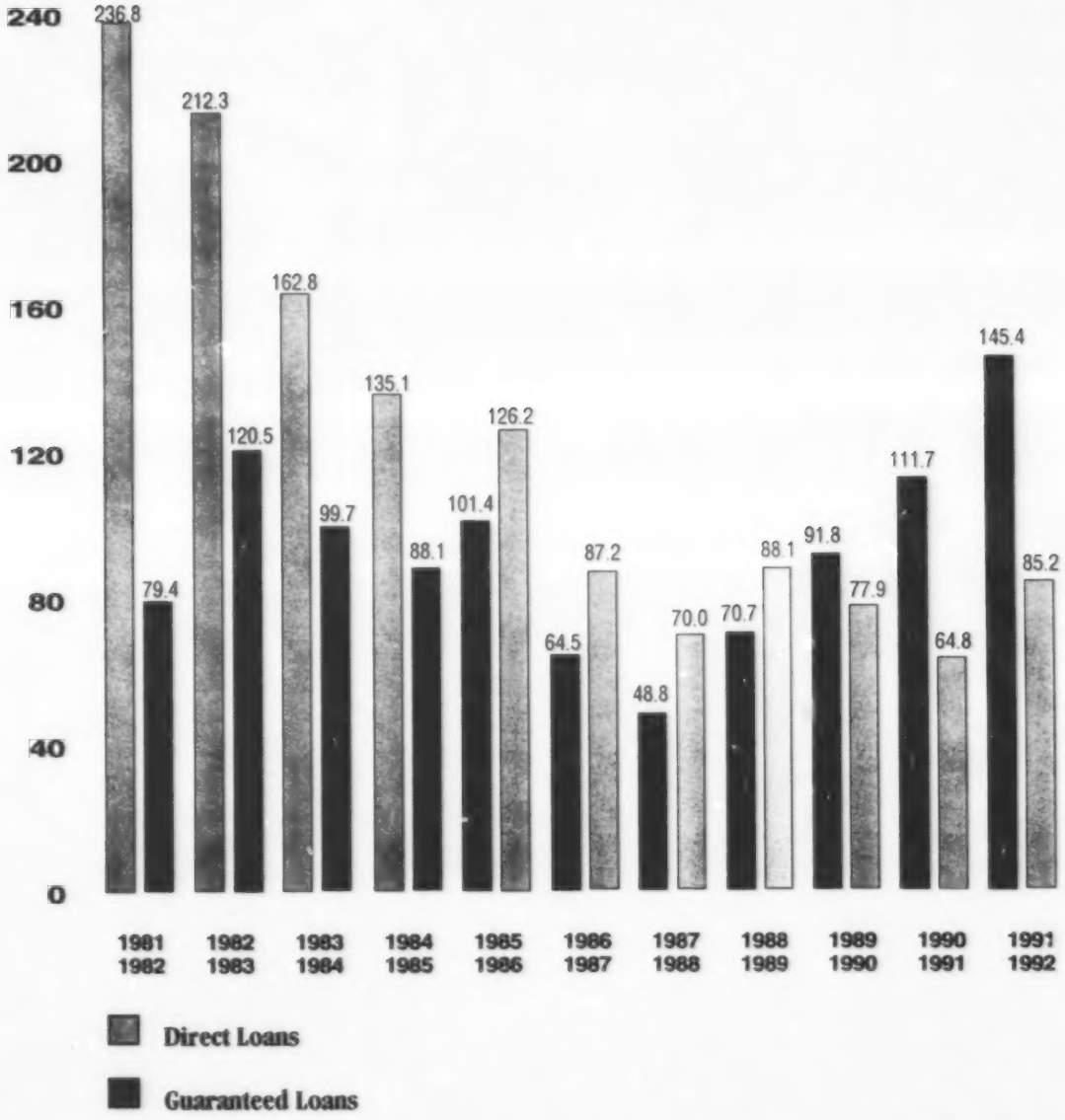
Our agribusiness portfolio continues a steady trend upwards. Thirty-seven transactions totalling $21 million were approved this year.

The outlook for Alberta's food processing and "value-added" industry is bright. ADC is diligent in providing financial services to this sector, and devotes considerable skill and time in helping the industry develop. 1992 will see the introduction of a new federal-provincial program for food processors administered by ADC.

ADC LENDING ACTIVITY

A 10 YEAR COMPARISON

$ Millions Of Dollars



SUMMARY OF LENDING ACTIVITY

By Major Client Group and Type of Assistance for the year ended March 31, 1992

	1991/92		1990/91		Accumulated Authorisations June'72 - March'92		Active and Outstanding March 31,1992	
	No.	$Mil	No.	$Mil	No.	$Mil	No.	$Mil
FARM								
DIRECT LOANS								
Beginning Farmer	862	63.9	1,051	80.3	11,729	1,307.1	8,556	807.1
Developing Farmer	8	0.8	5	0.3	127	11.8	104	8.9
Northwest Disaster	7	0.2	152	4.7	196	5.4	187	5.3
Western Disaster	140	4.4	177	6.3	322	10.7	322	10.4
Southeastern Disaster	716	58.4	114	9.1	830	67.5	795	63.2
Other	—	—	—	—	5,284	278.6	1,954	97.3
Subtotal	**1,733**	**127.7**	**1,499**	**100.7**	**18,488**	**1,681.1**	**11,918**	**992.2**
FARM								
GUARANTEES								
Specific Guaranteed Loans	6	0.1	1	0.4	1,942	85.7	39	3.3
Alberta Farm Development Loans	5,010	82.9	3,960	58.9	130,532	1,428.7	12,836	132.6
Farm Development Guaranteed Loans	—	—	—	—	431	17.4	10	0.2
Vendor Mortgage Loans	3	0.4	19	1.4	22	1.8	20	1.1
Implemented Guaranteed Loans	—	—	—	—	—	—	92	3.1
Subtotal	5,019	83.4	3,980	60.7	132,927	1,533.6	12,997	140.3
Total Farm	**6,752**	**211.1**	**5,479**	**161.4**	**151,415**	**3,214.7**	**24,915**	**1,132.5**
COMMERCIAL								
Direct Loans	27	17.7	27	11.0	222	110.9	72	25.7
Specific Guaranteed Loans	9	1.8	14	4.1	467	193.2	25	3.6
Other	1	1.5	1	4.0	—	—	4	20.5
Implemented Guaranteed Loans	—	—	—	—	—	—	6	0.7
Subtotal	37	21.0	42	19.1	689	304.1	107	50.5
Corporate Grand Total	**6,789**	**232.1**	**5,521**	**180.5**	**152,104**	**3,518.8**	**25,022**	**1,183.0**

DIRECT FARM LOAN PORTFOLIO

Active and Outstanding Distribution Analysis as at March 31,1992

	Beginning Farmer Program		Disaster Assistance programs		Other		Total	
	No.	$Mil	No.	$Mil	No.	$Mil	No.	$Mil
BY REGION								
Lethbridge	1,471	170.7	469	36.8	412	26.3	2,352	233.8
Airdrie	1,302	131.1	108	8.2	316	18.5	1,726	157.8
Red Deer	1,899	179.0	417	22.8	385	19.3	2,701	221.1
Vermilion	1,678	143.3	48	3.8	308	16.0	2,034	163.1
Barrhead	1,058	88.5	25	0.6	325	13.3	1,408	102.4
Fairview	1,148	94.5	237	6.7	312	12.8	1,697	114.0
Total	**8,556**	**807.1**	**1,304**	**78.9**	**2,058**	**106.2**	**11,918**	**992.2**

DIRECT FARM LOAN AUTHORIZATIONS

	1991/92		1990/91	
	No.	$Mil	No.	$Mil
BY REGION				
Lethbridge	**553**	**46.2**	209	20.0
Airdrie	**199**	**16.3**	191	16.6
Red Deer	**490**	**33.7**	375	23.7
Vermilion	**228**	**16.6**	265	18.5
Barrhead	**142**	**9.0**	168	10.7
Fairview	**121**	**5.9**	291	11.2
Total	**1,733**	**127.7**	**1,499**	**100.7**
BY PURPOSE				
Land	**406**	**47.4**	458	57.0
Equipment & Livestock	**158**	**5.5**	234	9.7
Financial Restructuring	**825**	**68.2**	456	24.6
Building	**59**	**3.2**	85	4.5
Other	**285**	**3.4**	266	4.9
Total	**1,733**	**127.7**	**1,499**	**100.7**

GUARANTEED FARM LOAN AUTHORIZATIONS

Distribution analysis for the years ended March 31,1992 and 1991

	1991/92		1990/91	
	No.	$Mil	No.	$Mil
BY REGION				
Lethbridge	**831**	**16.0**	681	13.7
Airdrie	**419**	**7.6**	293	4.9
Red Deer	**991**	**17.8**	769	12.0
Vermilion	**1,043**	**14.7**	851	10.6
Barrhead	**1,066**	**16.6**	845	11.7
Fairview	**669**	**10.7**	541	7.8
Total	**5,019**	**83.4**	**3,980**	**60.7**
BY PURPOSE				
Equipment/Livestock	**3,608**	**48.6**	2,873	35.2
Operating	**728**	**18.0**	586	15.0
Land & Development	**314**	**8.5**	237	5.0
Buildings	**149**	**2.9**	172	3.6
Other	**220**	**5.4**	112	1.9
Total	**5,019**	**83.4**	**3,980**	**60.7**

PROGRAM INCENTIVES EARNED

Distribution Analysis (including accruals) for the years ended March 31, 1992 and 1991.

	1991/92		1990/91	
	No.	$(000's)	No.	$(000's)
BY REGION				
Lethbridge	**768**	**1,934**	824	2,032
Airdrie	**709**	**1,582**	717	1,648
Red Deer	**974**	**1,876**	967	1,924
Vermilion	**1,030**	**1,745**	1,017	1,666
Barrhead	**820**	**1,239**	804	1,291
Fairview	**695**	**932**	782	1,197
Total	**4,996**	**9,308**	**5,111**	**9,758**
BY PURPOSE				
Beginning Farmer	**4,226**	**8,888**	4,176	9,212
Range/Soil Improvement	**537**	**209**	677	289
Sheep Incentive	**194**	**122**	225	157
Vegetable Storage	**22**	**75**	24	80
Disaster Loans	**—**	**—**	1	12
Death Grants	**—**	**—**	2	5
Vendor Mortgage	**17**	**14**	6	3
Total	**4,996**	**9,308**	**5,111**	**9,758**

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

Auditor's Report

To the Board of Directors of the Alberta Agricultural Development Corporation

I have audited the balance sheet of the Alberta Agricultural Development Corporation as at March 31, 1992 and the statements of income and deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1992 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 2 to the financial statements.

Donald D. Salmon

FCA
Auditor General
Edmonton, Alberta
June 5, 1992

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

BALANCE SHEET

As At March 31, 1992	1992	1991
		(thousands of dollars)
Assets		
Cash	**$ 9,592**	$ 15,248
Accounts receivable	**1,754**	1,164
Guarantee implementations receivable (Note 4)	**595**	845
Loans and accrued interest receivable (Note 5)	**1,001,806**	934,952
Property held for sale (Note 6)	**13,379**	14,474
Other assets (Note 7)	**4,175**	250
Capital assets (Note 8)	**1,393**	1,337
	$1,032,694	$968,270
Liabilities and Deficit		
Liabilities:		
Accounts payable, Province of Alberta	**$ 17,229**	$ 16,671
Accounts payable, other	**1,719**	873
Guarantees payable	**335**	331
Allowance for losses on loan guarantees (Note 9)	**1,725**	1,973
Accrued incentives	**4,991**	4,888
Debentures payable (Note 10)	**1,061,223**	1,003,326
	1,087,222	1,028,062
Deficit (Note 3)	**(54,528)**	(59,792)
	$1,032,694	$968,270

APPROVED BY THE BOARD:

Director

Director

The accompanying notes are part of these financial statements.

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

STATEMENT OF INCOME AND DEFICIT

For The Year Ended March 31, 1992	1992	1991
		(thousands of dollars)
Revenue:		
Interest and other income	**$ 84,738**	$ 83,814
Expenses:		
Interest expense	**110,455**	103,331
Disaster assistance interest benefit	**25,805**	16
Farm loan incentives, Schedule 1	**9,308**	9,758
Operating, Schedule 1	**14,729**	12,474
Provision for doubtful accounts and for losses on realization of assets (Note 9)	**22,999**	22,701
	183,296	148,280
Operating loss	**(98,558)**	(64,466)
Contributions by the Province of Alberta (Note 3):		
Department of Agriculture	**70,000**	77,682
Alberta Public Safety Services, Schedule 2	**33,822**	1,445
	103,822	79,127
Net income for the year	**5,264**	14,661
Deficit at beginning of year	**(59,792)**	(74,453)
Deficit at end of year (Note 3)	**$(54,528)**	$(59,792)

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

For The Year Ended March 31, 1992	1992	1991
		(thousands of dollars)
Operating activities:		
Operating loss	**$(98,558)**	$(64,466)
Items not affecting cash:		
Amortization	**842**	763
Provision for doubtful accounts and for losses on realization of assets	**22,999**	22,701
	(74,717)	(41,002)
Proceeds from sale of properties and repayments of loans receivable	**72,209**	54,853
Loan disbursements	**(159,193)**	(90,842)
Claims paid to lenders on guaranteed loans	**(1,545)**	(1,957)
Purchase of preferred shares	**(4,000)**	(500)
Net additions to capital assets	**(898)**	(372)
Other	**769**	(2,447)
	(167,375)	(82,267)
Financing activities:		
Proceeds from issue of debentures	**100,000**	40,000
Contribution by:		
Department of Agriculture	**70,000**	77,682
Alberta Public Safety Services	**33,822**	1,445
Repayment of principal on debentures	**(42,103)**	(35,862)
	161,719	83,265
Increase (decrease) in cash for the year	**(5,656)**	998
Cash at beginning of year	**15,248**	14,250
Cash at end of year	**$ 9,592**	$ 15,248

ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1992

Note 1 Authority

The Alberta Agricultural Development Corporation operates under the authority of the Agricultural Development Act, Chapter A-7, Revised Statutes of Alberta 1980, as amended.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles except that interest income is accrued on certain loans receivable that are significantly in arrears. Interest income recognized on these loans is offset by a corresponding increase in the provision for doubtful accounts and, accordingly, the Corporation's income and deficit are fairly stated. This reporting practice has been adopted because, at present, the variety and complexity of the Corporation's programs preclude, with existing resources, the removal of the interest that has been recognized on these loans from interest income.

Other significant accounting policies and reporting practices are as follows:

a) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Office equipment	- 10 years
Electronic data processing equipment and systems	- 5 years

b) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received and any related allowance for losses on realization.

c) Application and Loan Fees

Application and loan fees are recorded as income when the applications and loans are approved.

Note 2 (continued)

d) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. A specific provision is established on a loan-by-loan basis whereas a general provision is based on historical experience and is intended to cover losses on loans and guarantees which have not yet been specifically identified.

e) Indexed Deferral Plan

The Indexed Deferral Plan allows for certain portions of loan balances to be deferred with repayment terms based on commodity price indices. In years where the current commodity index is greater than the ten-year average index, a portion of the deferred balance will be payable. Interest is not charged on amounts deferred under this Plan.

f) Disaster Assistance Programs

In addition to programs offered under the Agricultural Development Act, the Corporation also delivered three Disaster Assistance Programs funded through Alberta Public Safety Services. The programs provided disaster loans which are non-interest bearing for a two- or five-year period for qualifying farm operations. Alternatively, eligible borrowers could receive funds equivalent to the interest free benefit of a disaster loan. The cost of these programs is reimbursed by Alberta Public Safety Services. This contribution is reflected in the statement of income and deficit.

g) Loan Guarantee

The Corporation guarantees certain farm and agribusiness loans made by other financial institutions and vendors in Alberta. The Province of Alberta indemnifies the Corporation for any losses which might be incurred on loan guarantees.

Note 3 Financial Structure

a) The Corporation's loans are funded through the issue of debentures to the Alberta Heritage Savings Trust Fund. The Corporation's operations are funded by contributions from the General Revenue Fund of the Province of Alberta through the Department of Agriculture for operations under the Agricultural Development Act, and through Alberta Public Safety Services for operations under Disaster Assistance Programs. The General Revenue Fund provides funding for the provision for doubtful accounts and for losses on realization of assets to the extent of budgeted cash requirements. At March 31, 1992, the deficit of $54,528,000 (1991 $59,792,000) is substantially the result of provisions which are not yet funded.

b) Certain office accommodation and support costs are provided by the Province of Alberta and accordingly these costs are not reflected in these financial statements.

Note 4 Guarantee Implementations Receivable

Guarantee implementations receivable are of a demand nature and consist of payments made to financial institutions for loans made by them under the Corporation's guarantee which have subsequently gone into default.

	1992	1991
		(thousands of dollars)
Guarantee implementations receivable	$3,824	$5,634
Less: Allowance for doubtful accounts (Note 9)	3,229	4,789
	$ 595	$ 845

Note 5 Loans and Accrued Interest Receivable

Loans are secured by agreements for sale and by mortgages. Assuming that options to renew will be exercised when applicable, loans are repayable in instalments due as follows:

	1992	1991
		(thousands of dollars)
Arrears of principal and interest to the payment date	$ 27,589	$ 27,892
Prepaid balances	(12,443)	(8,947)
Principal due in:		
Year 1	39,653	34,688
2	47,784	37,668
3	50,900	39,975
4	53,792	42,350
5	56,668	44,454
Years 6-10	306,431	250,413
Years over 10	408,020	444,547
Amounts deferred under the Indexed Deferral Plan	40,574	38,931
	1,018,968	951,971
Plus: Accrued interest	39,368	39,459
	1,058,336	991,430
Less: Allowance for doubtful accounts (Note 9)	56,530	56,478
	$1,001,806	$934,952

Principal outstanding includes loans related to the Disaster Assistance Program amounting to $78,947,000 (1991 $10,337,000) which are non-interest bearing for a two- or five-year period and for which no principal payments are due for a two-year period.

Note 6 Property Held For Sale

Properties, consisting mainly of land, have been acquired as a result of foreclosures, quit claims and other actions.

	1992	1991
		(thousands of dollars)
Cost of properties	**$32,935**	$35,789
Less: Allowance for losses on realization (Note 9)	**19,556**	21,315
Estimated net realizable value	**$13,379**	$14,474

Note 7 Other Assets

	1992	1991
		(thousands of dollars)
Unlisted preferred shares	**$19,025**	$15,100
Less: Allowance for losses on realization (Note 9)	**14,850**	14,850
	$ 4,175	$ 250

Note 8 Capital Assets

Capital assets consist of the following:

	Cost	Accumulated Amortization	Net Book Value 1992	Net Book Value 1991
			(thousands of dollars)	
Office equipment	$ 291	$ 208	**$ 83**	$ 94
Electronic data processing equipment and systems	4,477	3,167	**1,310**	1,243
	$4,768	**$3,375**	**$1,393**	**$1,337**

Note 9 Allowance for Doubtful Accounts and for Losses on Realization of Assets

	Loans	Guarantee Implementations	Property for Sale	Other Assets	Loan Guarantees	Total
			(thousands of dollars)			
Allowance at beginning of year	$56,478	$4,789	$21,315	$14,850	$1,973	$99,405
Transfers to property for sale	(15,524)	—	15,524	—	—	—
Provision	19,290	1,554	2,403	—	(248)	22,999
Write offs	(3,714)	(3,114)	(19,686)	—	—	(26,514)
Allowance at end of year	**$56,530**	**$3,229**	**$19,556**	**$14,850**	**$1,725**	**$95,890**

Note 10 Debentures Payable

Debentures payable to the Province of Alberta are as follows:

Series	Year of Maturity	Weighted Average Interest Rate	March 31 Principal Outstanding 1992	1991
			(thousands of dollars)	
A	2004	9.94%	**$ 101,680**	$108,080
B	2004-2005	10.53	**26,800**	28,400
C	2005	11.33	**56,800**	60,000
D	2006	10.51	**109,700**	114,900
E	2006 - 2007	9.89	**152,040**	158,040
F	2007 - 2009	10.94	**219,150**	227,400
G	2009 - 2010	10.22	**81,480**	84,390
H	2010 - 2011	10.91	**94,830**	98,100
I	2012 - 2013	10.76	**37,720**	38,540
J	2009	10.83	**44,585**	45,476
K	2011	10.37	**39,351**	40,000
L	2002	10.12	**97,087**	—
			$1,061,223	**$1,003,326**

The interest rates on debentures are fixed for five year periods. Repayments are by annual principal instalments and semi-annual blended payments over the life of the debentures.

Principal repayments due in each of the next five years are as follows:

Year ending March 31,	1993	$47,945
	1994	51,092
	1995	54,970
	1996	57,606
	1997	61,353

Note 11 Contingencies and Commitments

The Corporation has the following contingencies and commitments:

	1992	1991
		(thousands of dollars)
Vendor mortgage guarantees	**$887**	$227
Other loan guarantees	**48,092**	47,677
Allowance for losses (Note 9)	**(1,725)**	(1,973)
Total contingencies	**$47,254**	$45,931
Estimated farm loan incentives over the next five years on existing loans	**$24,368**	$26,626
Estimated interest assistance over the next five years under:		
the Disaster Assistance Programs	**103,623**	1,165
Indexed Deferral Plan	**11,868**	11,387
Approved, undisbursed loans	**22,811**	43,824
Total commitments	**$162,670**	**$83,002**

Note 12 Comparative Figures

The 1991 figures have been reclassified where necessary to conform to 1992 presentation.

SCHEDULE 1

Schedule of Farm Loan Incentives and Operating Expenses

For The Year Ended March 31, 1992

	1992	1991
		(thousands of dollars)
FARM LOAN INCENTIVES		
Beginning farmer program	**$8,888**	$9,212
Alberta farm development loan programs:		
Range and soil improvement program	**209**	289
Sheep producers incentive program	**122**	157
Vegetable and potato storage program	**75**	80
Other	**14**	20
	$9,308	**$9,758**
OPERATING EXPENSES		
Salaries and wages	**$ 9,519**	$ 7,980
Employee benefits	**1,164**	1,035
Data processing	**864**	527
Amortization	**842**	763
Professional fees and disbursements	**732**	411
Travel	**656**	749
Equipment purchases	**216**	229
Rental and repair	**169**	139
Stationery and office supplies	**158**	147
Telecommunications	**107**	120
Directors' fees	**90**	128
Postage, freight and express	**63**	73
Advertising	**63**	48
Printing and binding	**58**	58
Meetings and conferences	**28**	67
	$14,729	**$12,474**

SCHEDULE 2

Schedule of Alberta Public Safety Services Contributions

For The Year Ended March 31, 1992

	Total		Funded by operations and Department of Agriculture		Funded by Alberta Public Safety Services	
	1992	**1991**	**1992**	**1991**	**1992**	**1991**
			(thousands of dollars)			
Interest expense	**$110,455**	$103,331	**$104,559**	$102,867	**$5,896**	$464
Disaster assistance interest benefit	**25,805**	16	—	—	**25,805**	16
Operating expenses	**14,729**	12,474	**12,608**	11,509	**2,121**	965
					$33,822	**$1,445**

Printed on recycled paper